

# FDIC State Profile

Spring 2005

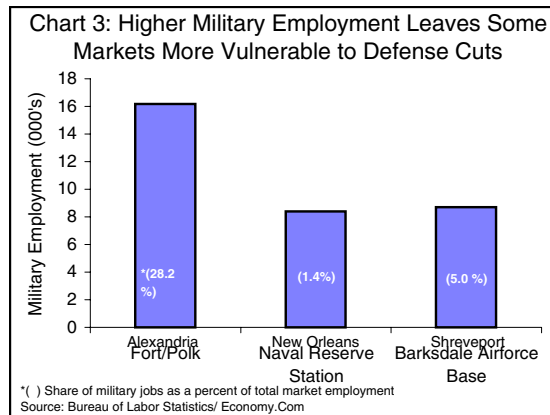
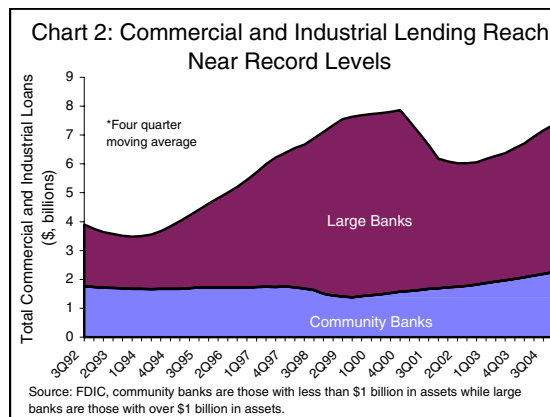
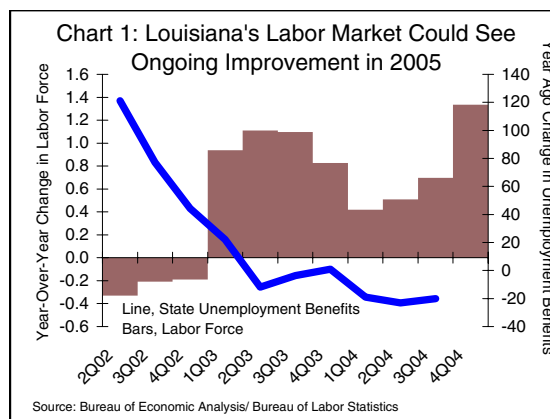
## Louisiana

Labor conditions in Louisiana improved modestly in the last half of 2004, and prospects appear good for 2005.

- Employment in Louisiana grew modestly in fourth quarter 2004, but the gains were widespread with 56 out of 64 parishes reporting a decline in the local jobless rate compared with a year ago. The improved rates were particularly impressive considering that more workers entered the labor force during the period. Another sign of continued progress was the ongoing decline in state unemployment insurance benefits (See Chart 1).
- The amusement/gaming/recreation, education/health, and leisure/hospitality sectors experienced strong employment growth during the recent quarter, while job losses occurred in chemicals, construction, oil and gas, and trade/transportation/utilities.
- Employment growth likely contributed to a rise in commercial and industrial (C&I) loans among insured institutions in Louisiana, which reached near historic highs at year-end 2004 (See Chart 2). Going forward, the construction and transportation sectors are forecast by state economists to be among those adding the most jobs, possibly resulting in rising capital equipment and inventory needs and further growth in C&I loan demand.

### Weaknesses remain in the manufacturing and energy sectors.

- Petroleum-related employment in Louisiana fell during the final two quarters of 2004, despite the highest nominal crude oil prices in the past two decades. Economists and industry observers attribute the sluggish response to state court judgments against oil companies in environmental disputes and uncertainty about the length of time that prices will remain at levels conducive to expansion. Disruptions caused by hurricane Ivan are also cited for this sector's poor performance in the fall.
- The manufacturing sector remained weak in fourth quarter 2004 with job losses concentrated in the energy products and chemical sectors. In contrast, the transportation equipment and petroleum & coal products manufacturing subsectors experienced growth during the quarter.



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- The near-term prospects for manufacturing appear somewhat mixed. The sector likely will benefit from staffing at the new Union Tank Car plant in **Alexandria** and the launch of the Hummer 3 at General Motors' (GM) **Shreveport** facility. On the downside, GM announced plans to temporarily idle production of pickup trucks at the Shreveport facility during February, and boat manufacturers await final decision on cuts to military hardware purchases.

### Defense-related cuts could affect Louisiana.

- Louisiana may face job losses in their important government sector as a result of the Pentagon's upcoming base closures and realignments project (See Chart 3). The economy of the state may also be adversely affected by proposed cuts in spending on a variety of military hardware, including ships constructed by Northrop Grumman. The company has said that upwards of 2,500 jobs might be eliminated between facilities along the Louisiana and Mississippi coasts, if the cuts materialize. Expansions by other local defense contractors such as Textron, which recently hired 180 workers to step up production of its M1117 ASV armored vehicles, could somewhat mitigate any jobs losses arising from the budget cuts.

### New Orleans tourism surged in 2004.

- The **New Orleans** metropolitan convention and visitors' bureau reported that tourism spending was at an all-time high in 2004. The bureau estimated a record 10.1 million visitors spent a record \$4.9 billion in the city last year. The bureau attributed the increase to a strong tourism campaign, increases in cruise ship activities, and high attendance at events such as the Sugar Bowl in January and the women's Final Four basketball tournament in April.

### Challenges remain for agriculture in 2005.

- Louisiana's sugar industry faces an uncertain future because of higher fuel and labor costs, declining price trends, and strong foreign competition. Pressures have already led to a 10 percent price decline since the mid-1990s, while bad weather lowered yields in 2004. Producers and sugar mills, which have seen their numbers decline dramatically during the past four decades, will face increasing pressure from rising costs and falling prices.
- Soybeans are in jeopardy because of the recent arrival of Asian rust disease, a fungus that can destroy a crop in a week. Fortunately, the disease is treatable with fungicides. However, the typical cost of purchasing and applying the fungicide is estimated by the USDA at \$25 an acre, increasing the cost of production between 15 and 20 percent. The increase in production costs could lead to a

significant decline in planted acreage this spring and, in turn, yield at least a modest price recovery for soybeans.

### Louisiana banks set new record for loans in 2004, while noncore funding increases.

- Driven by a desire for higher yielding instruments, loan levels among insured institutions in Louisiana reached a year-end high of \$40 billion in 2004, up from \$34.4 billion one year ago (See Chart 4). More than one-third of insured institutions from across the state set record loan levels.
- Although slightly down from prior periods, noncore funding remains near an all-time high (See Chart 5). Nearly one-fourth of all insured institutions in Louisiana experienced asset growth double the state's average in the past year. These banks relied more on borrowings and noncore deposits as a source of funds than other banks in the state.
- At year-end 2004, median noncore funding among banks with high asset growth accounted for 25 percent of total assets compared with 18 percent for other banks. A greater reliance on noncore funding sources among banks with high asset growth may increase funding costs and pressure margins in a rising interest rate environment.

Chart 4: Loan Levels Reached An All Time High at Year-End 2004

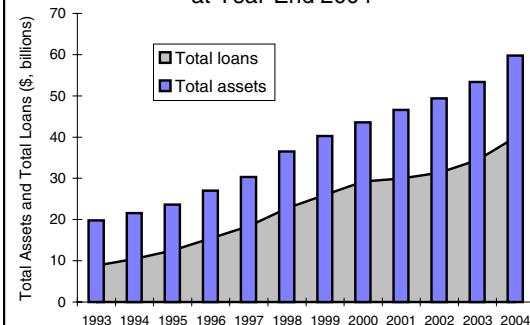
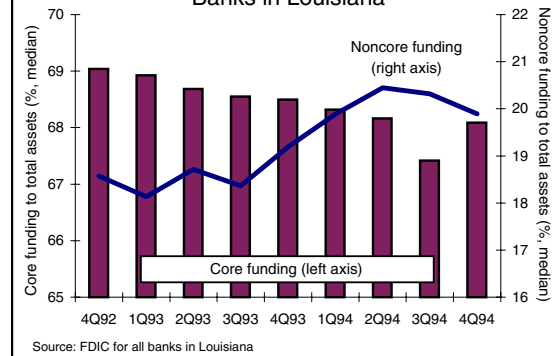


Chart 5: Noncore Funding Remains High Among Banks in Louisiana



## Louisiana at a Glance

**ECONOMIC INDICATORS** (Change from year ago quarter, unless noted)

<b>Employment Growth Rates</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.4%	0.9%	-0.5%	-0.7%	0.7%
Manufacturing (8%)	-2.2%	-2.9%	-3.8%	-6.0%	-1.0%
Other (non-manufacturing) Goods-Producing (8%)	-1.9%	-0.3%	-4.9%	0.8%	0.2%
Private Service-Producing (64%)	0.9%	1.6%	0.2%	-0.6%	1.3%
Government (20%)	1.0%	0.8%	0.7%	0.9%	-0.4%
Unemployment Rate (% of labor force)	5.8	6.0	6.2	5.8	5.5

<b>Other Indicators</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Personal Income	N/A	4.5%	2.0%	7.3%	4.1%
Single-Family Home Permits	9.3%	23.5%	12.3%	10.4%	-4.9%
Multifamily Building Permits	-15.6%	22.7%	63.5%	53.2%	-16.8%
Existing Home Sales	-2.3%	4.5%	9.7%	4.5%	1.1%
Home Price Index	5.7%	5.3%	4.8%	5.6%	3.9%
Bankruptcy Filings per 1000 people (quarterly level)	1.52	1.56	1.48	1.41	1.29

**BANKING TRENDS**

<b>General Information</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Institutions (#)	166	170	172	175	182
Total Assets (in millions)	59,778	53,730	50,051	47,505	56,137
New Institutions (# < 3 years)	1	0	1	9	14
Subchapter S Institutions	38	35	28	23	14

<b>Asset Quality</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.66	2.70	2.64	2.67	2.35
ALLL/Total Loans (median %)	1.29	1.29	1.29	1.31	1.30
ALLL/Noncurrent Loans (median multiple)	1.47	1.64	1.43	1.59	1.77
Net Loan Losses / Total Loans (median %)	0.13	0.17	0.15	0.14	0.11

<b>Capital / Earnings</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Tier 1 Leverage (median %)	10.07	9.78	10.27	9.95	10.36
Return on Assets (median %)	1.09	1.06	1.06	0.95	1.01
Pretax Return on Assets (median %)	1.44	1.43	1.48	1.34	1.40
Net Interest Margin (median %)	4.41	4.40	4.57	4.42	4.60
Yield on Earning Assets (median %)	5.73	5.98	6.71	7.79	8.27
Cost of Funding Earning Assets (median %)	1.43	1.65	2.25	3.47	3.78
Provisions to Avg. Assets (median %)	0.13	0.15	0.13	0.15	0.14
Noninterest Income to Avg. Assets (median %)	0.94	0.95	0.84	0.84	0.79
Overhead to Avg. Assets (median %)	3.53	3.53	3.44	3.46	3.51

<b>Liquidity / Sensitivity</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Loans to Assets (median %)	61.4	60.5	59.5	58.8	59.9
Noncore Funding to Assets (median %)	19.9	19.2	18.6	18.2	17.7
Long-term Assets to Assets (median %, call filers)	12.0	13.6	13.7	14.5	12.6
Brokered Deposits (number of institutions)	15	15	14	13	10
Brokered Deposits to Assets (median % for those above)	2.9	1.2	1.3	1.4	2.2

<b>Loan Concentrations (median % of Tier 1 Capital)</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Commercial and Industrial	76.1	73.3	65.6	67.2	75.5
Commercial Real Estate	148.6	142.9	118.0	112.7	98.3
<i>Construction &amp; Development</i>	23.9	21.1	20.8	19.1	13.1
<i>Multifamily Residential Real Estate</i>	2.3	1.0	1.1	1.0	0.5
<i>Nonresidential Real Estate</i>	108.3	96.9	95.2	84.3	78.3
Residential Real Estate	189.2	185.8	186.7	177.9	190.9
Consumer	55.8	60.8	67.7	69.3	74.2
Agriculture	17.7	20.3	23.5	27.1	21.6

**BANKING PROFILE**

<b>Largest Deposit Markets</b>	<b>Institutions in Market</b>	<b>Deposits (\$ millions)</b>	<b>Asset Distribution</b>	<b>Institutions</b>
New Orleans-Metairie-Kenner, LA	40	19,794	< \$250 mil.	134 (80.7%)
Baton Rouge, LA	41	8,946	\$250 mil. to \$1 bil.	28 (16.9%)
Shreveport-Bossier City, LA	19	3,698	\$1 bil. to \$10 bil.	3 (1.8%)
Lafayette, LA	20	3,224	> \$10 bil.	1 (0.6%)
Houma-Bayou Cane-Thibodaux, LA	14	2,383		